

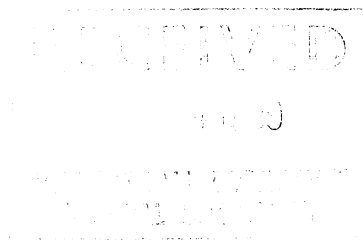
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**RURAL HOUSEHOLD FINANCE IN THE KINDIA AND NZEREKORE
REGIONS OF GUINEA**

Report submitted to the World Council of Credit Unions

by

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village. In each village, households were selected at random from available population records.

Survey Questionnaire and Complementary Information

The questionnaire designed by the author for this study emphasized the gathering of information regarding access to financial services by the rural household, and about the conditions and quality of these services. The issues addressed by the questionnaire can be outlined as follows¹:

- General information about the household and the respondent (Section I of the questionnaire).
- Occupation of household members and sources of revenue (Section II).
- Agricultural activity, asset position of the household, and selected socio-economic indicators (Sections III and IV).
- Access to financial services (loans and deposits) by the head of the household, terms and conditions of these services, and costs incurred in making use of the services (Sections V, VI, and VII). These included the activity of the head of the household in both the formal and the informal financial markets. The provision of informal loans by the head of the household was also documented through a set of questions in Section V of the questionnaire.
- Finally, a group of selected questions about access and use of financial services was posed to the spouse of the respondent (Section VIII) at the end of the interview.

In addition to the survey questionnaire, a brief form was designed to gather complementary information about the villages in which the interviews were carried out. The data recorded in these forms include availability of public services, major economic activities, and prices relevant to the valuation of agricultural production and household assets. This information was usually provided by the village leaders ("notables").

Interviewing

A group of 10 interviewers was recruited and trained in Conakry to carry out the survey. Two members of the RRNA/WOCCU team played the role of field supervisors, while performing other functions associated with the study. The final version of the questionnaire was completed after a field test in a village near Conakry.

¹ A copy of the questionnaire is included in the Appendix.

Rural Household Finance in the Kindia and Nzérékoré Regions of Guinea

**Carlos E. Cuevas
March 1989**

I. INTRODUCTION

This study was commissioned by the World Council of Credit Unions (WOCCU) as part of the joint project WOCCU and Robert R. Nathan Associates (RRNA) have contracted with USAID Guinea under the Guinea Economic Policy Reform Support Project. The main objectives of the study are to obtain a profile of rural households in two regions of Guinea, and more importantly to assess the access to formal and informal financial services by these households.

This report presents and analyzes the findings of a rural household survey carried out in two regions of Guinea during October and November 1988. The following section summarizes the methods of data collection associated with this survey. Then an overview of the sample of rural households is presented highlighting the occupational profile and the key socio-economic indicators observed in the sample. Household revenues from agricultural and non-agricultural sources are evaluated in chapter IV, along with the estimated physical assets of these rural households. Finally, chapter V documents and analyzes the access to loan and deposit services by the rural households in the sample. Some concluding remarks follow.

II. METHODS OF DATA COLLECTION

A comprehensive field survey was undertaken to gather the primary data required by the study. The lack of an appropriate sample frame for rural Guinea posed some constraints on the sampling procedure, and the limitations of transportation and communications made the field work particularly difficult. The sample design, questionnaire design and interviewing strategy are briefly described below.

Sample Design

A number of market villages (i.e., villages where a rural market functions regularly) was selected at random in each region, taking into account the limitations to the sample size implicit in the project's budgetary allocation. Using each market village as the center, two villages were randomly chosen among those falling within a 10-kilometer radius from the market

III. OVERVIEW OF THE SAMPLE

The findings reported here are based in 250 interviews carried out in the Kindia and Nzérékoré regions between October and November 1988. The sample comprised sixteen villages in the Kindia region and 14 in the Nzérékoré region. In almost all of the interviews the respondent was a male head of household (99 percent in Kindia, 94 percent in Nzérékoré). Sousou and Peuhl were the predominant ethnic groups represented in the sample in the Kindia region, while the Guerzé dominated the Nzérékoré sub-sample. Nine members was the average household size in both regions.

Overall, about half of the respondents could read and write, even though this proportion was substantially higher among the Kindia households (two-thirds of the respondents were literate) than among the Nzérékoré respondents (only one-third). Arabic was the predominant language of instruction in the overall sample because of its importance in the Kindia area, whereas French was the most important language among those who could read and write in the Nzérékoré region. On average, two other members of the household could read and write (in both regions). In this case, French was relatively more important than any other single language in the two regions, though more clearly so in Nzérékoré. Arabic was the language of about 30 percent of the other households members who were literate in the Kindia area.

Occupational Profile of Household Members

The main occupations of heads of households, their spouses and other family members are summarized in Table 1. Practically all of the heads of the households considered themselves primarily farmers (panel A in Table 1), occupation that appears also as the most important for their spouses (panel B) and other family members (panel C). Rather surprisingly for African standards, trade was not reported as main occupation in a significant number of cases and, as will be seen later, trade does not represent an important source of non-farm income. This is in sharp contrast with findings reported for other francophone African countries (e.g., Togo) where trade, carried out primarily by women, plays a major role in the household economy.

Wage labor was of some importance only among other household members. This is reflecting a depressed or under-developed rural labor market, as well as the common practice of exchanging labor services between rural households during the growing season.

Socio-economic Indicators

The socio-economic status of households is difficult to quantify in a cross-sectional survey without a detailed inventory and appraisal of household goods, a task beyond the scope of the field survey in this study. Instead, the questionnaire included a series of questions aimed at providing some indicators of the "quality of life" of rural households². These indicators are reported in Table 2 classified under three criteria: housing conditions (panel A), access to and quality of utilities (panel B) and ownership of consumer durables (panel C). Indeed, most of the impact of an improved financial system in rural areas may translate into improvements in the quality of life, e.g., access to better sources of drinking water, improved construction materials, better hygienic conditions, purchases of consumer durables, and so forth.

The indicators reported in Table 2 do not show a consistent pattern of differences in quality of life between the two regions under study. Nzérékoré shows relatively better housing conditions in terms of construction materials, but at the same time appears at a disadvantage in access to private W.C. and electricity. Private wells, an improved form of access to drinking water, are more common among Nzérékoré households than among the Kindia respondents. Overall, the findings reported here indicate that there is room for substantial improvements in the quality of life of rural households. Deficiencies of this type represent a potential demand for liquidity to undertake house improvements and purchases of consumer durables.

IV. RURAL HOUSEHOLD INCOME AND FARM PHYSICAL ASSETS

The survey data included detailed information on crop (physical) production, inventories of livestock and poultry, farm tools, farm buildings and other constructions, inputs and products in stock. This was complemented with data on product prices, livestock and poultry prices, and units of measurement gathered at the villages where the survey was undertaken. These data allowed the computation of the gross revenues perceived by rural households from their agricultural activity, and the value of farm physical assets held by the households³. In addition,

² A detailed assessment of income sources and farm-related assets is reported B below.

³ The holdings of financial assets and other uses of liquidity by the rural households in the sample are documented later in this report.

the survey provided information on the revenues perceived by the rural households from sources other than farming and livestock activities. The results of these calculations are reported in this chapter.

Gross Revenues from Agriculture and Non-Farm Activities

Total annual agricultural and non-farm gross revenues are summarized in Table 3 for the overall sample and for the two regional sub-samples in the survey. Gross income from farming (including livestock) is the most important source of household revenues, representing almost 90 percent of total income. Even though the relative importance of the sources of revenue is similar for the two regions, Table 3 shows a substantial difference between the average household gross income in the two regions. Nzérékoré households appear with average total revenues about four times as high as those reported in the Kindia area, explained primarily by differences in the value of agricultural production. This contrast is reflecting the different structure of crop production and diversification in the Nzérékoré area, where cash crops are more prevalent than in the Kindia region, and market conditions are likely to be better given the proximity of this region to the borders with Côte d'Ivoire and Liberia.

The value of crop production was estimated evaluating the physical production reported by the respondents at the product prices documented in the villages during the survey. Rice, manioc (cassava) and peanuts were the most important crops grown by the households in the sample in the two regions under study. However, Nzérékoré households appeared substantially more diversified in their production structure. Coffee, bananas, kola nuts, palm wine and palm oil are all produced by more than 60 percent of the Nzérékoré households, while Kindia agriculture appears concentrated primarily in the three major crops indicated above.

Among livestock activities, sheep, goats and poultry (chicken and ducks) are the most common in the two regions. In Nzérékoré, pig production showed some importance, while this type of livestock was non-existent in Kindia, probably reflecting the differences in the dominant religions between the two regions. Livestock prices recorded during the survey at the village level were consistently higher in Nzérékoré than in the Kindia area. Gross revenues from livestock production were estimated as a fixed proportion, 20 percent, of the value of the inventory of livestock as of the date of the interviews. This method avoids documenting all sales and consumption of all different types of animals throughout the year, while relying upon the accuracy of the inventory at the time of the interview, i.e., with minimal recollection biases.

Crop production is the dominant source of agricultural revenues for the average household in the sample, regardless of region (see Appendix Table 1). About 98 percent of the value of agricultural output is accounted for by crop production. On the other hand, wages and several miscellaneous non-farm sources of revenue (vaguely disclosed in the interview) account for most of non-farm gross revenues (see Appendix Table 2). Remittances represented about 11 percent of these non-farm revenues, but they were significantly more important in the Kindia area (about 32 percent of total non-farm income)⁴.

In summary, Kindia households showed significantly lower average gross incomes than their Nzérékoré counterparts. In both regions, agricultural production is the major source of household revenues, but more favorable production structure and market conditions in the Nzérékoré area result in total revenues substantially higher in this region.

Farm Physical Assets

The value of farm physical assets reported by the respondents is shown in Table 4. Except for the value of livestock, which was calculated using the physical inventory and the market prices per head documented in the villages, all figures correspond to the respondent's assessment of asset values. It must be emphasized that these correspond to farm physical (productive) assets, and do not include household consumer durables or financial assets.

It was not possible to obtain reliable figures for the value of land. A land market is practically non-existent in the regions under study, and the land values reported in a few interviews did not show reasonable consistency. Thus the value of land is not included in Table 4. Livestock represents almost one-half of the total value of farm assets, while farm constructions appear in second order of importance. Farm tools, primarily hoes, "coupe-coupes" and axes were reported in the vast majority of the interviews but their value accounts for less than 6 percent of total farm assets.

Again, Nzérékoré households show clearly larger physical asset holdings than Kindia households. This difference is primarily due to higher values of the livestock inventory and to larger holdings of inputs and products in stock.

⁴ Conakry and Kindia-ville were the most frequent origins for remittances in the Kindia region, whereas Côte d'Ivoire and Liberia showed the highest frequencies in the Nzérékoré region.

V. RURAL HOUSEHOLD FINANCE

The rural households in the sample did not have access to institutional financial services. Only one respondent had an institutional loan in the last five years, from a planters cooperative (i.e., not a formal financial institution). No deposits at financial institutions were reported. This total absence of institutional financial services is reflecting not only the under-development of financial institutions in Guinea (discussed elsewhere), but also the urban/trade bias of the banking system. The latter might appear justified by the low rate of return and high risk usually associated with agricultural enterprises.

Informal finance therefore, is the only type of financial activity documented in the survey. This chapter addresses first the informal borrowing by rural households (i.e., the sources of liquidity), and subsequently the informal lending and participation in traditional savings groups.

Informal Borrowing

About one-half of the respondents acknowledged being aware of the existence of moneylenders ("usuriers"), and 20 percent had borrowed from a moneylender during the year preceding the interview. In the same time period, 45 percent of the households had received loans or assistance from relatives and 40 percent had borrowed from friends or neighbors. Traders appeared of little importance as sources of informal loans in the sample, since less than 5 percent of the respondents declared having received a loan from this source. These proportions were fairly similar across regions, excepting the incidence of moneylenders, which was observed substantially higher in the Nzérékoré region. Here, 64 percent of the households knew about the existence of moneylenders, and 30 percent acknowledged borrowing from this source in the year preceding the interview.

The incidence of the different sources of informal loans or assistance reported above was obtained through a sequence of yes/no questions referring to informal borrowing in the 12-month period preceding the interview. That incidence is, unfortunately, misrepresented in the information obtained for the "most important" among the informal loans or assistance received during that same period, which is the basis for Table 5. Apparently, the respondents considered more important, or felt more comfortable giving details about, the most "friendly" sources of informal loans and assistance, i.e., relatives, and friends and neighbors. Hence, more than 90 percent of the informal "loans" documented in greater detail in the survey correspond to these two sources (see Table 5).

It must be emphasized that the figures in Table 5 represent a lower-bound estimate of access to informal sources of funds, since they consider only the most important loan received by the respondent during the year. Labor services, cash and grains were the three predominant forms of informal borrowing, one-half of all these loans were not supposed to be repaid, and of those that were, only seven percent had to pay interest. Alleged uncertainty about the interest to be paid makes an estimate of the "current" interest rate unreliable⁵. Reimbursement was supposed to be delivered in cash only in one-half of the reimbursable loans. No guarantees were associated with these loans, and witnesses were required in about 23 percent of the cases.

In almost 90 percent of the interviews, the informal loan or assistance had been negotiated, disbursed and repaid (if required) in the same village, hence non-financial transaction costs were minimal. However, gifts were given to the provider of the loan in about one-third of the cases.

The average amounts and the range of amounts borrowed from informal sources are summarized in Table 6. The households in the sample borrowed on average the equivalent of 1.4 percent of their gross income (see Table 3). However, the relative importance of informal borrowing is substantially higher in the Kindia region where the average amount borrowed represents 5 percent of the average household income.

The average amounts borrowed vary widely across sources of informal finance. Table 7 shows that the monetary value of loans and assistance received from relatives, friends or neighbors is very modest compared to the mean value of loans from traders and other sources. The unbalanced representation of the different sources in this table however, makes it infeasible to draw definite conclusions from these findings.

Informal Lending and Non-institutional Savings

Informal lending or the provision of assistance to others was a widespread practice among the households in the sample. Forty-six percent of the heads of households had granted some sort of financial assistance in the year preceding the interview. Relatives were the recipients (borrowers) in one-half of the cases, while friends and neighbors comprised the other half.

Interestingly, in contrast with the predominant forms of informal borrowing, informal lending was done in cash in two-thirds of the cases, and involved a cash component in another 10

⁵ Better insights on this subject were obtained through a less "structured" interviewing by Dan Devine.

percent of the interviews. Even though more monetized than informal borrowing, informal lending was also interest-free in 91 percent of the cases.

About 28 percent of the heads of households participated in an informal savings group at the time of the interview. A similar proportion was observed among their spouses. Tontines and "caisses collectives" were the predominant forms of traditional savings groups. Almost seventy percent of those participating in a group were doing so in a tontine, while 25 percent of them indicated a "caisse" as their group of participation. These groups (tontines and caisses) typically function in the same village of residence of the household, do not pay interest and are chosen primarily because of mutual trust.

Membership in these informal groups was more prevalent in the Nzérékoré area than in Kindia. About one-third of the Nzérékoré heads of households and almost 40 percent of the spouses were contributors to a savings group at the time of the interview. The type of group was a tontine in almost 80 percent of the cases reported in the Nzérékoré region.

The average amounts lent out and contributed to informal savings groups (i.e., the uses of liquidity) are reported in Table 8. Overall, these two uses of liquidity amount to about 3 percent of the estimated total gross household income (Table 3). However, the incidence of both informal lending and savings is substantially higher in the Kindia area, where the amounts reported in Table 8 represent 8.5 percent of total gross income.

Finally, about one-fifth of the respondents made use of money-keepers ("garde-monnaies") to temporarily safekeep cash balances. These money-keepers were remunerated in some form in the majority of the cases; 15 percent of the respondents indicated having remunerated in cash, and another 42 percent of the heads of households reported having given gifts in exchange for the safekeeping services provided by the money-keeper.

VI. CONCLUDING REMARKS

In summary, this report has documented substantial and active informal financial activity in the two rural regions of Guinea considered in this study. Informal finance appears more important as a proportion of total household income in the poorest of the two regions, Kindia, than in the Nzérékoré region. This is reflecting a more accentuated need to cover temporary deficits and use temporary surpluses in the region less diversified in its production structure and less able to generate substantial revenues from agriculture.

The Nzérékoré region shows a more active participation in informal savings groups, primarily tontines. This, together with the significantly higher revenues from agriculture obtained in this area, makes the Nzérékoré region one of excellent potential for the development of quasi-formal forms of financial intermediation.

Indeed, the current state of the formal financial system in the country makes it inviable for the banking system to effectively service the rural areas in general, and agricultural households in particular. The development of rural financial intermediation should focus on and rely upon the strengthening and promotion of local and regional intermediaries. Linkages between these local and regional financial intermediaries and the national banking system through suitable financial instruments need to be created or permitted through appropriate financial policies, in order to attain the benefits of geographical and sectoral diversification.

Table 1

Occupational Profile of Household Members in the Sample.

Main Occupation	Kindia		Nzérékoré		Total	
	Number	%	Number	%	Number	%
A. Heads of Households						
Farming	122	98.4	118	99.2	240	98.8
Other	2	1.6	1	0.8	3	1.2
Total Heads Households	124	100.0	119	100.0	243	100.0
B. Spouses						
Farming	79	63.7	45	38.8	124	51.7
Trade	13	10.5	0	0.0	13	5.4
Housewife	31	25.0	69	59.5	100	41.7
Other	1	0.8	2	1.7	3	1.3
Total Spouses	124	100.0	116	100.0	240	100.0
C. Other Household Members						
Farming	84	50.3	99	53.8	183	52.1
Wage Labor	16	9.6	10	5.4	26	7.4
Trade	7	4.2	5	2.7	12	3.4
Other ^a	60	35.9	70	38.1	130	37.0
Total Other Members	167	100.0	184	100.0	351	100.0

Source: RRNA/WOCCU Survey 1988.

^a Includes students.

Table 2

Socio-Economic Indicators of Households in the Sample.

Indicator	Kindia %	Nzérékoré %	Total Sample %
A. Housing			
Live in own house	98.4	95.9	97.2
Not their own house	1.6	4.0	2.8
Total	100.0	100.0	100.0
Construction			
Mud walls	61.9	46.0	54.0
Bricks or cement	37.3	52.4	44.8
Other	0.8	1.6	1.2
Total	100.0	100.0	100.0
Roof materials			
Metal sheet	50.8	70.5	60.5
Straw	48.4	28.7	38.7
Other	0.8	0.8	0.8
Total	100.0	100.0	100.0
Floor materials			
Bare ground	67.5	54.1	60.9
Cement	31.0	45.1	37.9
Other	1.5	0.8	1.2
Total	100.0	100.0	100.0
W.C.			
Private	63.7	15.6	39.8
No W.C. or shared	36.3	84.4	60.2
Total	100.0	100.0	100.0
B. Utilities			
Electricity			
Yes	7.4	0.0	3.7
No	92.6	100.0	96.3
Total	100.0	100.0	100.0
Fuel			
Firewood	88.1	100.0	94.0
Coal	7.9	0.0	4.0
Other	4.0	0.0	2.0
Total	100.0	100.0	100.0

(continued)

Table 2 (cont.)

Socio-Economic Indicators of Households in the Sample.

Indicator	Kindia %	Nzérékoré %	Total Sample %
Drinking water			
Public well/canal	11.9	64.5	38.0
Stream	67.5	7.3	37.6
Private well	4.0	25.8	14.8
Other ^a	16.6	2.4	9.6
Total	100.0	100.0	100.0

C. Consumer Durables

Percent of households^b
where at least one
family member owns a:

Watch	72.2	73.4	72.8
Radio	66.7	62.9	64.8
Television	0.8	1.6	1.2
Sewing machine	8.8	11.3	10.0
Bicycle	8.8	20.1	14.5
Motorbike	8.7	8.1	8.4
Car or truck	0.8	0.8	0.8

Source: RRNA/WOCCU Survey 1988.

Percentages may not add up to 100 because of rounding.

^a Includes mixed sources.

^b Percents not to be added here since they correspond to the proportion of "yes" answers.

Table 3

Annual Gross Revenues of Rural Households in the Sample,
by Source. Averages per Household.

Sub-sample	Source		
	Agriculture	Non-Farm	Total
	FG	Revenues FG	FG
Kindia	668781	99375	768155
Nzérékoré	2745284	296855	3042139
Total Sample	1735478	200820	1936297

Source: Appendix Tables 1 and 2.

Table 4

Value of Farm Assets for the Sample of Rural Households, by Type of Asset.
Averages per Household

Sub-sample	Type of Asset				
	Animals	Farm Tools	Inputs	Buildings	Total
	FG	FG	FG	FG	FG
Kindia	93882	17039	13579	74292	198792
Nzérékoré	165293	13799	84410	75820	339323
Total Sample	130566	15375	49964	75077	270982

Source: Calculated from RRNA/WOCCU Survey 1988, and complementary information.

Table 5

Informal Borrowing by Rural Households, by Source of the Loan

Source of Informal Loan	Kindia		Nzérékoré		Total	
	Number	%	Number	%	Number	%
Relatives	36	50.7	65	86.7	101	69.2
Friends & neighbors	29	40.9	5	6.7	34	23.3
Traders	4	5.6	4	5.3	8	5.5
Moneylenders	1	1.4	1	1.3	2	1.4
Other	1	1.4	0	0.0	1	0.7
Total	71	100.0	75	100.0	146	100.0
Percent of total sample	56.8%		60.0%		58.4%	

Source: RRNA/WOCCU Survey 1988.

Table 6

Non-institutional Credit. Amounts Borrowed from Informal Sources
by Rural Households

Sub-sample	Amount Borrowed, FG			
	N	Mean	Minimum	Maximum
Kindia	67	38468	500	1027000
Nzérékoré	72	18550	73	150000
Total Sample	139	28151	73	1027000

Source: RRNA/WOCCU Survey 1988.

Table 7

Non-institutional Credit. Amounts Borrowed from Informal Sources
by Rural Households, by Source of Loan or Assistance

Source	Amount Borrowed, FG			
	N	Mean	Minimum	Maximum
Relatives	95	18688	500	150000
Friends & neighbors	34	17899	73	150000
Traders	7	193571	3500	1027000
Moneylenders	2	44500	39000	50000
Other	1	85000	85000	85000
Total Sample	139	28151	73	1027000

Source: RRNA/WOCCU Survey 1988.

Table 8

Informal Lending and Deposits in Informal Savings Groups.
Average Amounts Lent and Deposited by Rural Households

Sub-sample	Average Amounts FG		
	Informal Loans	Deposits in Savings Groups	Total
Kindia	18914	45183	64907
Nzérékoré	16787	34522	51309
Total Sample	17739	38730	56469

Source: RRNA/WOCCU Survey 1988.

APPENDIX A

APPENDIX TABLES

Appendix Table 1

Annual Gross Revenue from Agriculture, by Activity.
Averages per Household

Sub-sample	Production Activity		
	Crops	Livestock ^a	Total
	FG	FG	Agriculture FG
Kindia	650004	18776	668781
Nzérékoré	2712225	33059	2745284
Total Sample	1709364	26113	1735478

Source: Calculated from RRNA/WOCCU Survey 1988, and
complementary information.

^a Value of animal production estimated as a proportion of the
total value of animal assets.

Appendix Table 2

**Annual Gross Revenue from Non-Farm Sources, by Activity.
Averages per Household**

Sub-sample	Source (Activity)					
	Wages	Trade	Handcrafts	Remittances	Other Misc.	Total
	FG	FG	FG	FG	FG	Non-farm FG
Kindia	25331	22106	6451	32194	13293	99375
Nzérékoré	87451	8436	7094	12367	181507	296855
Total Sample	57242	15084	6781	22009	99704	200820

Source: Calculated from RRNA/WOCCU Survey 1988, and complementary information.

APPENDIX B

SURVEY QUESTIONNAIRE